

NORTH CENTRAL WASHINGTON REGIONAL SUPPORT NETWORK
Douglas County, Washington
July 1, 1991 Through June 30, 1993

Schedule Of Findings

1. Public Funds Were Misappropriated At North Central Washington Regional Support Network

Our audit revealed that RSN bookkeeper, Kandis Amerson, incurred at least \$10,079 in personal charges on the RSN credit card between October 1, 1992, and January 4, 1994. Additionally, she misappropriated \$105 from the RSN petty cash fund. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case.

Immediately prior to our audit, Ms. Amerson approached the RSN administrator and confessed to being responsible for \$3,083 in unauthorized charges and cash advances on the RSN credit card beginning in October 1993. Because the monthly credit card statements had been removed from the RSN office, we ordered copies of all RSN credit card statements from Central Washington Bank. Our review of those statements indicated \$10,079 in unauthorized charges.

Our subsequent review of vouchers indicated that virtually all vouchers in payment of credit card charges had been altered. The alterations were made after the RSN administrator's and board's review and authorization, but prior to processing by the county auditor's office.

We also noted that vouchers reimbursing petty cash funds were supported by receipts for payments previously paid directly by voucher.

When confronted, Ms. Amerson accepted all charges we found to be unauthorized as her personal charges.

RCW 9A.56.030 states:

(1) A person is guilty of theft in the first degree if he commits theft of:
(a) Property or services which exceed(s) one thousand five hundred dollars in value; for (b) Property of any value taken from the person of another. (2) theft in the first degree is a class B felony.

RCW 40.16.020 states:

Every officer who shall mutilate, destroy, conceal, erase, obliterate, or falsify any record or paper appertaining to the officer's office, or who shall fraudulently appropriate to the officer's own use or to the use of another person, or secrete with intent to appropriate to such use, any money, evidence of debt or other property intrusted to the officer by virtue of the officer's office, shall be punished by imprisonment in a state correctional facility for not more than ten years, or by a fine of not

more than five thousand dollars, or by both.

RCW 9A.20.021 states, in part:

(1) Felony. Every person convicted of a classified felony shall be punished as follows . . . (b) for a class B felony, by imprisonment in a state correctional institution for a maximum term of not more than ten years, or by a fine in an amount fixed by the court of not more than twenty thousand dollars, or by both such imprisonment and fine

The following internal control weaknesses allowed these misappropriations to occur and remain undetected:

- a. There was inadequate segregation of duties. The RSN bookkeeper was in the position to authorize credit card expenditures as well as to record and voucher for them.
- b. Vouchered charges were not reconciled to the monthly credit card statement.
- c. There was no review of the bookkeeper's work by any other person.
- d. Vouchers were processed for payment based on copies of charge slips rather than original documents.

We recommend the RSN seek recovery of \$10,184 misappropriated by Ms. Amerson as well as related audit costs.

We further recommend the Washington State Office of the Attorney General and Douglas County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260

We also recommend the RSN:

- a. Segregate the functions of authorization, custody and recordkeeping related to credit card transactions.
- b. Ensure all credit charges are reconciled to monthly bank statements.
- c. Develop a process where the bookkeeper's work is periodically reviewed.
- d. Ensure that all vouchers are supported by original receipts/charge slips
- e. Obtain bond coverage for employees.

2. The North Central Washington Regional Support Network Should Maintain Adequate Accounting Records

Our audit of the RSN revealed that the financial statements and related records were inaccurate. We were unable to agree amounts reported on the financial statements prepared by the RSN to their detailed accounting records. Further, our review of the detailed records disclosed numerous errors. In addition, we were unable to reconcile beginning and ending cash balances to the county treasurer's records.

RCW 43.09.200 states, in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Inaccurate accounting information interferes with the user's ability to make informed decisions. The absence of reliable financial statements required additional audit and compilation procedures to make corrections and to enable the auditor to render an opinion on the financial statements of the RSN. We consider this condition to be a material weakness in internal control over the accounting system.

This condition is the result of the RSN bookkeeper's lack of experience and efforts to conceal her fraudulent activity.

We recommend the RSN maintain an adequate financial accounting system including:

- a. On a monthly basis, preparation of a written reconciliation of revenues, expenditures, and ending cash and investment balances to the county treasurer's report.
- b. Annual preparation of financial statements including Schedules of Financial Assistance.
- c. Evidence of review by management.

3. The North Central Washington Regional Support Network Should Restrict Credit Card Purchases To Authorized Expenditures

Our audit disclosed that the RSN used credit cards to purchase items unrelated to authorized travel expenditures and that employees did not submit itemized travel expense vouchers in support of their charges.

RCW 42.24.115 states in part:

(1) Any municipal corporation or political subdivision may provide for the issuance of charge cards to officers and employees for the sole purpose of covering expenses incident to authorized travel. (Emphasis added.)

(2) Upon billing or no later than ten days of the billing date, the officer or employee . . . shall submit a fully itemized travel expense voucher.

The management of the RSN was unaware of the statutory restrictions placed on the use of municipal credit cards.

We recommend the RSN restrict the use of its credit cards to authorized travel expenses. We further recommend all charges be supported by an itemized travel expense voucher.